

Digital TV business models of public organisations

Business models, bottlenecks and public policy

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Business model analysis is used in different contexts, for different purposes. This paper will use business model analysis in the context of policy analysis and impact assessment. This opportunity has been created by progress in business model studies (integrated frameworks), as well as policy challenges in the field of ICT (e.g. how to assess the impact of the policy mix, that contains more policy instruments, as we move to the ICT implementation phase of Perez?).

This paper presents the results of a pilot study in which business models have been analysed, in order to sketch market developments and innovation topics, and to identify bottlenecks.

The study concerns 10 digital TV platforms in the Netherlands and the UK, that are provided by public (broadcasting) organisations. The focus is on digital TV via the internet. The results of the study are compared with the results of a study on 8 digital TV platforms by private organisations (via internet, cable, satellite, terrestrial and IPTV-DSL platforms). For all cases, we addressed the design of business models (e.g. how are public business models different from private business models?), the perceived bottlenecks and the remarks and suggestions related to public policy.

The ten public cases are: Fabchannel, L1 Web TV, Vara Comedy, Omroep Brabant, Vlinder.TV, VPRO 3voor12 (Netherlands), BBC Creative Archive, FourDocs, Freeview, S4C Broadband portal (UK).

The bottlenecks have been summarised in the table on the next page.

Bottlenecks: public cases	Bottlenecks: private cases
<ul style="list-style-type: none"> • How to earn sustainable (advertising) revenues in a new and uncertain market, with fragmentation of audiences? • Adoption: differences between population/market segments. Public broadcasting organisations must invest in and reach all segments (proportionally). • Lack of consistent metrics regarding Internet usage, e.g. use of websites by different population/market segments. • The public service remit, that requires quality and independence, can conflict with user generated content. • The public service remit contains restrictions and uncertainties on public-private partnerships. • Opposition from private firms that fear unfair competition from public organisations that launch Internet and other digital platforms. • Funding of public broadcasters and (internal) allocation of budgets do not allow for high quality and innovative Internet TV. • Copyright owners hesitate to collaborate in services that apply a Creative Commons approach. • High costs to acquire content, which is highly problematic for regional broadcasters. • Time involved in clearance of copyrights, due to the variety of right holders and the lack of coordinating organisations related to the use of content on the Internet (in several countries). • High costs of archiving digital content, e.g. costs for tools, people and storage. • Availability and penetration of broadband. • Capacity of digital terrestrial networks. • Visibility of digital TV platforms on the Internet, e.g. via new gatekeepers such as Google. • Standardisation and interoperability, in the context of DRM solutions, set-top boxes, and platforms that support interactive services. • Few platforms support interactive services, which limits the possibilities of service providers (and Internet TV platform operators) that seek to use several platforms. • Expertise to make technological decisions, e.g. small organisations that have to choose between different standards. • Difficulties in coordination across the value chain/network with several organisations, e.g. decisions on brand, intended value for users, investments, interactivity (e.g. Freeview). • Transformation of organisations and changes in work practices to allow for cross media production, including Internet platforms. • High costs of micro-payments. • For community based platforms, it can be difficult to commit people with expertise. 	<ul style="list-style-type: none"> • Uncertainty on user behaviour with respect to old and new types of advertising, sponsoring and paid content. • High uncertainty on consumer demand for interactive services, mainly the level and type of interactivity and willingness to pay. For DTV platforms via Internet this appears less of a bottleneck. • Uncertainty on revenue sharing and the underlying changes in “power structures” and value networks, is perceived a market/commercial issue. Does the bargaining position of content producers improve? • Quality of Service is an important operational concern, especially for DTV platforms via digital terrestrial, DSL/IP and Internet. Quality of the network, platform, content, services and “across the value chain” is important. • Standardisation and interoperability, mainly for DTV platforms via cable, satellite and terrestrial (set-top boxes) and via Internet (DRM). • Digital Rights Management is perceived a bottleneck by providers of TV via Internet. There are doubts on the quality of DRM solutions and enforcement of copyright laws. • The high level of required investments is perceived a bottleneck for operators of DTV platforms via cable, terrestrial, satellite and DSL/IP (not for Internet platforms).

Table 4: Bottlenecks for digital TV platforms

In the cases, bottlenecks were linked to elements of the business model. A bottleneck has an influence on the design of the business model, for example the pricing model, standards, and the level of vertical integration. For nearly all bottlenecks, it was possible to address the role of public policy.

Several bottlenecks concern the public service remit of public broadcasters. Under what conditions does user involvement, such as user generated content, fit the standards of quality, good taste and independence of public broadcasters? Are public-private partnerships an effective strategy to exploit digital archives, launch digital channels and provide TV via Internet, and are there any tensions with the public service remit? What are the restrictions related to competition policy? These questions have to be addressed by public broadcasters and policy makers to which they are accountable.

The increased number of platforms improves the bargaining power of rights owners and content producers, which can frustrate and delay negotiations to launch services. In specific cases, there may be a need to reconsider policy. One example is the role of public broadcasters as providers of content. The recommendation is to stimulate public broadcasting organisations to pursue a strategy that is platform and technology neutral.

Another bottleneck – for public and private organisations – is the (high) uncertainty on user demand for interactive services, and user responses to new types of advertising, sponsoring and paid content. The policy recommendation is to support user studies, pilots and living labs to acquire information on user behaviour related to interactive digital TV services, and different types of advertising.

Other bottlenecks and policy recommendations are related to standardisation and interoperability (e.g. for DRM), clearance of copyrights, visibility of public content on the Internet, the financial constraints of regional (public) broadcasting organisations and community based initiatives, and micropayments.

The paper is part of a national research programme, in which we collaborate with several universities and firms, including Philips and LogicaCMG. The paper was finalised March 2007.

The paper could be linked to conference topics such as content and media regulation (e.g. Internet) and broadband (services, policy and regulation). The focus of the paper is on bottlenecks and policy.

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